

CITY OF LINCOLN, ILLINOIS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2011

City of Lincoln, Illinois
Annual Financial Report
For the Year Ended April 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And City Council
City of Lincoln, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois, as of and for the year ended April 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lincoln, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Lincoln, Illinois as of April 30, 2011, and the results of its operations and cash flows of its proprietary and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2011 on our consideration of the City of Lincoln, Illinois' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and do not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Illinois Municipal Retirement Fund Schedules of Funding Progress and budgetary comparison information on pages 37 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the

information and express no opinion on it. Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lincoln, Illinois' basic financial statements. The combining nonmajor fund and enterprise financial statements and schedule of taxes extended and collected and the schedule of legal debt margin listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Estes, Bridgewater & Ogden
Certified Public Accountants

October 11, 2011

Estes, Bridgewater & Ogden

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor
And City Council
City of Lincoln, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois as of and for the year ended April 30, 2011, which collectively comprise the City of Lincoln, Illinois' basic financial statements and have issued our report thereon dated October 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lincoln, Illinois' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lincoln, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lincoln, Illinois' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lincoln, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the City of Lincoln, Illinois' management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Estes, Bridgewater & Ogden
Certified Public Accountants

October 11, 2011

City of Lincoln, Illinois
SCHEDULE OF FINDINGS AND RESPONSES
April 30, 2011

There are no findings to report at April 30, 2011.

City of Lincoln, Illinois
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
Prior Year Findings
April 30, 2011

There were no findings to report at April 30, 2010.

City of Lincoln, Illinois
STATEMENT OF NET ASSETS
April 30, 2011

Statement 1

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Assets</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,865,637	\$ 285,893	\$ 3,151,530
Accounts receivable	6,593	515,422	522,015
Taxes receivable	1,734,300	-	1,734,300
Due from other governments	<u>1,452,104</u>	<u>-</u>	<u>1,452,104</u>
Total Current Assets	<u>6,058,634</u>	<u>801,315</u>	<u>6,859,949</u>
CAPITAL ASSETS			
Buildings and improvements	8,133,775	7,196,055	15,329,830
Equipment	793,713	5,024,079	5,817,792
Vehicles	3,660,181	660,407	4,320,588
Streets	3,860,223	-	3,860,223
Utility systems	-	<u>1,706,213</u>	<u>1,706,213</u>
Total Cost of Capital Assets	16,447,892	14,586,754	31,034,646
Less accumulated depreciation	(<u>8,305,249</u>)	(<u>6,564,197</u>)	(<u>14,869,446</u>)
Net Capital Assets	<u>8,142,643</u>	<u>8,022,557</u>	<u>16,165,200</u>
TOTAL ASSETS	<u>14,201,277</u>	<u>8,823,872</u>	<u>23,025,149</u>
<u>Liabilities and Net Assets</u>			
CURRENT LIABILITIES			
Accounts payable	36,529	41,974	78,503
Deferred income	1,776,557	-	1,776,557
Current portion – notes and bonds payable	<u>120,529</u>	<u>465,596</u>	<u>586,125</u>
Total Current Liabilities	<u>1,933,615</u>	<u>507,570</u>	<u>2,441,185</u>
LONG-TERM DEBT			
Notes and bonds payable (less current portion)	<u>790,096</u>	<u>6,529,092</u>	<u>7,319,188</u>
TOTAL LIABILITIES	<u>2,723,711</u>	<u>7,036,662</u>	<u>9,760,373</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,232,018	1,027,869	8,259,887
Restricted (See Note 2)	1,781,650	994,592	2,776,242
Unrestricted	<u>2,463,898</u>	(<u>235,251</u>)	<u>2,228,647</u>
TOTAL NET ASSETS	<u>\$11,477,566</u>	<u>\$ 1,787,210</u>	<u>\$13,264,776</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2011

Statement 2

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	Total
<u>FUNCTIONS/PROGRAMS:</u>						
Primary Government:						
Governmental activities:						
General government.....	\$1,642,058	\$ 446,062	\$ -	(\$ 1,195,996)	\$ -	(\$ 1,195,996)
Public safety.....	3,435,441	109,599	39,506	(3,286,336)	-	(3,286,336)
Public works.....	1,512,639	-	8,152	(1,504,487)	-	(1,504,487)
Debt services.....	<u>35,088</u>	<u>-</u>	<u>-</u>	(<u>35,088</u>)	<u>-</u>	(<u>35,088</u>)
Total governmental activities.....	<u>6,625,226</u>	<u>555,661</u>	<u>47,658</u>	(<u>6,021,907</u>)	<u>-</u>	(<u>6,021,907</u>)
Business-type activities:						
Sewer Utility	<u>2,536,824</u>	<u>2,674,567</u>	<u>240,600</u>	<u>-</u>	<u>378,343</u>	<u>378,343</u>
Total Primary Government.....	<u>\$9,162,050</u>	<u>\$3,230,228</u>	<u>\$ 288,258</u>	(<u>6,021,907</u>)	<u>378,343</u>	(<u>5,643,564</u>)
General revenues:						
Intergovernmental taxes				5,604,055	-	5,604,055
Property taxes				854,813	-	854,813
Interest income				9,832	614	10,446
Other income				<u>60,039</u>	<u>17,908</u>	<u>77,947</u>
Total general revenues				<u>6,528,739</u>	<u>18,522</u>	<u>6,547,261</u>
Change in net assets				506,832	396,865	903,697
Net Assets – Beginning				<u>10,970,734</u>	<u>1,390,345</u>	<u>12,361,079</u>
Net Assets - Ending				<u>\$11,477,566</u>	<u>\$ 1,787,210</u>	<u>\$13,264,776</u>

The accompanying notes are an integral part of the financial statements

City of Lincoln, Illinois
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2011

Statement 3

	<u>Assets</u>			<u>Debt Service</u>	<u>Liability Insurance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS	<u>General Corporate</u>	<u>Motor Fuel</u>					
Cash and cash equivalents.....	\$1,122,300	\$853,605		\$506,545	\$ -	\$383,187	\$2,865,637
Taxes receivable.....	1,074,800	-		175,000	126,000	358,500	1,734,300
Due from other governments.....	1,420,384	31,720		-	-	-	1,452,104
Accounts receivable.....	-	6,593		-	-	-	6,593
Due from other funds.....	-	-		-	-	39,834	39,834
TOTAL ASSETS.....	<u>\$3,617,484</u>	<u>\$891,918</u>		<u>\$681,545</u>	<u>\$126,000</u>	<u>\$781,521</u>	<u>\$6,098,468</u>
LIABILITIES							
Accounts payable.....	\$ 36,529	\$ -		\$ -	-	\$ -	\$ 36,529
Deferred revenue.....	1,117,057	-		175,000	126,000	358,500	1,776,557
Due to other funds.....	-	-		-	39,772	62	39,834
Total Liabilities.....	<u>1,153,586</u>	<u>-</u>		<u>175,000</u>	<u>165,772</u>	<u>358,562</u>	<u>1,852,920</u>
FUND BALANCES							
Reserved (See Note 2).....	-	891,918		506,545	(39,772)	422,959	1,781,650
Unreserved.....	<u>2,463,898</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,463,898</u>
Total Fund Balances.....	<u>2,463,898</u>	<u>891,918</u>		<u>506,545</u>	<u>(39,772)</u>	<u>422,959</u>	<u>4,245,548</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$3,617,484</u>	<u>\$891,918</u>		<u>\$681,545</u>	<u>\$126,000</u>	<u>\$781,521</u>	<u>\$6,098,468</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
April 30, 2011

Total Fund Balances – Total Governmental Funds	\$ 4,245,548
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term debt reported in governmental activities	(910,625)
Capital assets of \$16,447,892 net of accumulated depreciation of \$8,305,249 are not financial resources and, therefore, are not reported in the funds.	<u>8,142,643</u>
Net assets of governmental activities	<u>\$11,477,566</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended April 30, 2011

	General Corporate	Motor Fuel	Debt Service	Liability Insurance	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes.....	\$ 193,754	\$ -	\$ 176,398	\$ 126,566	\$ 338,095	\$ 854,813
Intergovernmental taxes.....	5,116,247	455,551	-	-	32,256	5,604,054
Interest income.....	4,423	2,011	257	105	3,036	9,832
Charges for services.....	191,685	-	-	-	168,142	359,827
Fines and forfeitures.....	109,599	-	-	-	-	109,599
Licenses and permits.....	86,235	-	-	-	-	86,235
Miscellaneous.....	60,039	-	-	-	-	60,039
Total Revenues.....	<u>5,761,982</u>	<u>457,562</u>	<u>176,655</u>	<u>126,671</u>	<u>561,529</u>	<u>7,084,399</u>
EXPENDITURES:						
Current:						
General Government.....	787,455	-	9,602	334,693	377,587	1,509,337
Public safety.....	3,281,707	-	-	-	30,952	3,312,659
Public Works.....	669,506	490,124	-	-	110,864	1,270,494
Debt service:						
Principal.....	36,875	-	250,500	-	-	287,375
Interest.....	5,851	-	29,237	-	-	35,088
Capital outlay.....	<u>1,251,187</u>	<u>17,480</u>	<u>-</u>	<u>-</u>	<u>24,455</u>	<u>1,293,122</u>
Total Expenditures.....	<u>6,032,581</u>	<u>507,604</u>	<u>289,339</u>	<u>334,693</u>	<u>543,858</u>	<u>7,708,075</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES).....	(270,599)	(50,042)	(112,684)	(208,022)	17,671	(623,676)
OTHER FINANCING SOURCES (USES)						
Operating transfers in.....	-	-	69,136	202,266	31,100	302,502
Operating transfers (out).....	(302,502)	-	-	-	-	(302,502)
Grant proceeds.....	39,506	8,152	-	-	-	47,658
Bond proceeds.....	-	-	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total Other Financing Sources (Uses).....	<u>(262,996)</u>	<u>8,152</u>	<u>569,136</u>	<u>202,266</u>	<u>31,100</u>	<u>547,658</u>
NET CHANGE IN FUND BALANCES	(533,595)	(41,890)	456,452	(5,756)	48,771	(76,018)
FUND BALANCES – BEGINNING.....	2,997,493	933,808	50,093	(34,016)	374,188	4,321,566
FUND BALANCES – ENDING.....	\$2,463,898	\$891,918	\$506,545	(\$ 39,772)	\$422,959	\$4,245,548

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 April 30, 2011

Net change in fund balances – Total Governmental Funds.....	(\$ 76,018)
Amounts reported for governmental activities in the statement of activities are different because:	
Debt issued:	
Bonds payable.....	(500,000)
Long term debt payments.....	287,375
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$1,293,122 exceeded depreciation of \$497,647 in the current period.	<u>795,475</u>
Change in net assets of governmental activities	<u>\$506,832</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2011 and 2010

Statement 5

	<u>Current Year Total</u>	<u>Prior Year 2010</u>
<u>Assets</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 285,893	\$ 607,912
Accounts receivable	515,422	531,839
Due from other funds	<u>721,194</u>	<u>721,194</u>
Total Current Assets	<u>1,522,509</u>	<u>1,860,945</u>
CAPITAL ASSETS		
Sewerage system	14,586,754	13,830,395
Less: Accumulated depreciation	(<u>6,564,197</u>)	(<u>6,099,078</u>)
Net Capital Assets	<u>8,022,557</u>	<u>7,731,317</u>
TOTAL ASSETS	<u>9,545,066</u>	<u>9,592,262</u>
<u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Accounts payable	41,974	32,178
Notes and bonds payable – current portion	465,596	453,857
Due to other funds	<u>721,194</u>	<u>721,194</u>
Total Current Liabilities	<u>1,228,764</u>	<u>1,207,229</u>
LONG-TERM LIABILITIES		
Notes and bonds payable (less current portion)	<u>6,529,092</u>	<u>6,994,688</u>
TOTAL LIABILITIES	<u>7,757,856</u>	<u>8,201,917</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,027,869	282,772
Restricted	994,592	1,136,592
Unrestricted	(<u>235,251</u>)	(<u>29,019</u>)
TOTAL NET ASSETS	<u>\$ 1,787,210</u>	<u>\$ 1,390,345</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
**STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUNDS**
 For the Years Ended April 30, 2011 and 2010

Statement 6

	Current Year Total	Prior Year 2010
OPERATING REVENUES		
Charges for services	\$2,674,567	\$2,637,086
Other income	<u>258,508</u>	<u>11,743</u>
Total Operating Revenues	<u>2,933,075</u>	<u>2,648,829</u>
OPERATING EXPENSES		
Personnel service	74,190	65,085
Contractual maintenance	1,335,608	1,246,942
Supplies and materials	33,049	38,600
Other fees and charges	23,429	23,354
Depreciation	465,119	445,138
Repairs and maintenance	46,542	57,200
Office supplies	4,000	3,800
Professional fees	1,862	795
Postage	8,615	9,704
Telephone	911	1,104
Insurance	26,072	26,398
Facility utilities	<u>328,897</u>	<u>314,964</u>
Total Operating Expenses	<u>2,348,294</u>	<u>2,233,084</u>
Net Operating Income	<u>584,781</u>	<u>415,745</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	614	1,834
Interest (expense)	(188,530)	(200,788)
Operating transfers in	784,387	783,279
Operating transfers (out)	(784,387)	(783,279)
Total nonoperating revenues (expenses)	(187,916)	(198,954)
NET CHANGE IN NET ASSETS	396,865	216,791
NET ASSETS - BEGINNING	<u>1,390,345</u>	<u>1,173,554</u>
NET ASSETS - ENDING	<u>\$1,787,210</u>	<u>\$1,390,345</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Years Ended April 30, 2011 and 2010

Statement 7

	Current Year <u>Total</u>	Prior Year <u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from customers	\$2,690,984	\$2,710,968
Other income.....	258,508	11,743
Payments for personnel services.....	(74,190)	(65,085)
Payments for goods and services.....	(1,799,189)	(1,733,127)
Net cash provided by operating activities.....	<u>1,076,113</u>	<u>924,499</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in.....	784,387	783,279
Operating transfers (out).....	(784,387)	(783,279)
Net cash provided by noncapital financing activities.....	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets.....	(756,359)	(304,417)
Principal paid on bonds.....	(453,857)	(504,491)
Interest paid on bonds	(188,530)	(200,788)
Net cash (used for) capital and related financing activities.....	(1,398,746)	(1,009,696)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>614</u>	<u>1,834</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(322,019)	(83,363)
CASH AND CASH EQUIVALENTS – BEGINNING.....	<u>607,912</u>	<u>691,275</u>
CASH AND CASH EQUIVALENTS – ENDING.....	<u>\$ 285,893</u>	<u>\$ 607,912</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income.....	\$ 584,781	\$ 415,745
Adjustment to reconcile operating income to cash provided by operating activities:		
Depreciation.....	465,119	445,138
Changes in assets and liabilities:		
Decrease in accounts receivable.....	16,417	73,882
Increase (decrease) in accounts payable.....	<u>9,796</u>	(10,266)
Net cash provided by operating activities.....	<u>\$1,076,113</u>	<u>\$ 924,499</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2011

Statement 8

	<u>Pension Trust Funds</u>		
	<u>Police</u>	<u>Firefighters'</u>	
	<u>Pension</u>	<u>Pension</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents.....	\$1,785,954	\$ 248,643	\$ 2,034,597
Investments.....	7,598,657	6,105,719	13,704,376
Accrued interest receivable	<u>-</u>	<u>40,411</u>	<u>40,411</u>
TOTAL ASSETS.....	<u>\$9,384,611</u>	<u>\$6,394,773</u>	<u>\$15,779,384</u>
 <u>Liabilities and Net Assets</u>			
LIABILITIES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
NET ASSETS			
Reserved for employee retirement commitments.....	<u>9,384,611</u>	<u>6,394,773</u>	<u>15,779,384</u>
TOTAL LIABILITIES AND FUND BALANCE.....	<u>\$9,384,611</u>	<u>\$6,394,773</u>	<u>\$15,779,384</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2011

Statement 9

	<u>Pension Trust Funds</u>		
	<u>Police</u>	<u>Firefighters'</u>	
	<u>Pension</u>	<u>Pension</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer – property taxes.....	\$ 445,647	\$ 394,149	\$ 839,796
Employee	131,289	89,755	221,044
Investment income	145,766	98,886	244,652
Unrealized gain on investments.....	<u>477,804</u>	<u>86,812</u>	<u>564,616</u>
Total Additions	<u>1,200,506</u>	<u>669,602</u>	<u>1,870,108</u>
DEDUCTIONS			
Benefit payments.....	931,449	964,936	1,896,385
Administrative expenses	<u>15,548</u>	<u>16,304</u>	<u>31,852</u>
Total Deductions.....	<u>946,997</u>	<u>981,240</u>	<u>1,928,237</u>
NET INCREASE (DECREASE).....	253,509	(311,638)	(58,129)
NET ASSETS HELD IN TRUST FOR PENSION			
BENEFITS – BEGINNING OF YEAR.....	<u>9,131,102</u>	<u>6,706,411</u>	<u>15,837,513</u>
NET ASSETS HELD IN TRUST FOR			
PENSION BENEFITS – END OF YEAR.....	<u>\$9,384,611</u>	<u>\$6,394,773</u>	<u>\$15,779,384</u>

The accompanying notes are an integral part of the financial statements.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The City of Lincoln, Illinois (the "City") was incorporated on February 16, 1865. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: general government, public safety and public works.

The accounting and reporting policies of the City relating to the funds and account group included in the financial statements conform to generally accounting principles applicable to state and local governments except that the information on the actuarial data and other disclosures required for the pension trust funds has been excluded. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the City has chosen to apply all GASB pronouncements to its proprietary activities, and has chosen to apply the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 to its proprietary activities.

B. – Financial Reporting Entity

The financial reporting entity includes its governing board and all related organizations for which the City exercises oversight responsibility.

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the City exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of and special financing relationships.

The City has determined that no other outside agency meets the above criteria. In addition, the City is not aware of any entity which would exercise such oversight on it in a manner in which the City would be considered its component unit.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not property included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. – Financial Reporting Entity, (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned. Expenditures generally are recorded when a liability is incurred.

Grants, entitlements, interest and all other revenue items are considered measurable and available only when earned by the City.

C. – Fund Accounting

The accounts of the City are organized on the basis of funds or accounts groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types and broad fund categories. The following fund types and account groups are used by the City:

Government Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds.

General Corporate Fund

The General Corporate Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It includes general administration as well as the Special Fire Department, Police Task Force, DARE, Drug Forfeiture, DUI, and ERT Programs.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. – Fund Accounting, (Continued)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are maintained by the City:

The Emergency Services Disaster Agency Fund receives and expends the City's tax collections for the purpose of operating and maintaining an emergency services and disaster function.

The Forestry Fund receives taxes levied to provide for the establishment and maintenance of a long-term forestry program for the propagation and preservation of community trees and for the removal of dead or diseased trees in the City.

The Motor Fuel Tax Fund receives and expends the City's allocations of the highway user revenue money. The amount available is allocated on a population basis, which is determined by the latest federal census. Money allocated to this fund must be used for street construction, reconstruction, and maintenance.

The Municipal Retirement Fund receives taxes levied for the payment of municipal retirement and social security benefits for all qualified employees of the City.

The Public Benefits Fund receives taxes levied for the purpose of paying that portion of the amounts assessed against the City for public benefit.

The Liability Insurance Fund receives taxes levied for the purpose of paying City insurance premiums.

The Crossing Guards Fund receives taxes levied for the purpose of providing school crossing guards.

The Audit Fund receives taxes levied for the purpose of paying the cost of the annual audit.

The Revolving Loan Fund accounts for the Community Block Grant the City received. The Grant is to be used for the purpose of providing financial assistance to local businesses as approved by the Illinois Department of Commerce and Economic Opportunity.

The Equipment Rental Fund provides services to all funds on a fee basis.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. – Fund Accounting, (Continued)

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Project Fund is used to account for the accumulation of resources for, and payment of, construction projects other than those for proprietary fund construction.

Proprietary Fund Types

Enterprise Fund

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to that of private business enterprises, where the intent of the governing body is that the costs of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Grants and interest income are considered as non-operating revenues for proprietary funds.

The Sewer Operations and Maintenance Fund accounts for the operation of the sewer system for the City.

The Westside Sewer Project Loan Fund and EPA Loan fund account for the construction loans obtained from the Illinois Environmental Protection Agency. The loan proceeds are made up of both state and federal funds.

The Contingency and Depreciation Fund is required to accumulate money for replacements and repairs to the system as may be necessary for the continued effective and efficient operation of the system.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. – Fund Accounting, (Continued)

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following Fiduciary Funds are maintained by the City:

The Police Pension Fund receives contributions for participants of the plan from the City as well as the pension fund participants currently employed by the City. The fund accounts for the assets held in trust to be used for payment or retirement benefits.

The Firefighters' Pension Fund receives contributions for participants of the plan from the City as well as the pension fund participants currently employed by the City. The fund accounts for the assets held in trust to be used for payment or retirement benefits.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the City receives value without directly giving value in return, include grants and donations. On the accrual basis, revenue from grants and donations is recognized when received and eligibility requirements have been satisfied.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Transfers In: by the recipient fund, and "Transfers Out" by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivable/payables." These amounts are eliminated on the statement of net assets.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City maintains a capitalization threshold of \$2,500. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is computed on the straight line basis over a period of from 5 to 40 years based on asset class.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. – Fund Accounting, (Continued)

Compensated Absences

The City does not record compensatory time for sick and vacation time.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded when earned by the City.

Reservations of Fund Balance

The City records reservations for portions of fund equity which are legally segregated for specific future use and are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

D. – Budgets And Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April each year, the Finance Committee of the City Council submits to the City Council a proposed operating budget for the fiscal year commencing that May 1.
2. A copy of the proposed budget is placed on file with the City Clerk and a date for public hearings is announced.
3. The budget is passed by City Council.
4. The appropriation is legally enacted through the passage of an ordinance.
5. After adoption of the appropriation, further appropriations are prohibited. Transfers from one appropriation of any fund to another appropriation of the same fund, not affecting the total amount appropriated, may be made subject to City Council approval.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

D. – Budgets And Budgetary Accounting, (Continued)

6. Formal budgetary integration is employed as management control device during the year for the General Fund, the Special Revenue Funds, and the Debt Service Fund.
7. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a cash basis, which differs from the basis used for the financial statements. Budgeted amounts shown in the financial statements have been adjusted to reflect appropriation transfers between certain expenditure categories during the year; as a result, the final budget presented differs from that which was originally adopted.

E. – Investments

Per Chapter 30, Act 235, Section 2 of the Illinois Compiled Statutes, the City of Lincoln may invest any public funds (1) in bonds, notes, certificates of indebtedness, treasury bills, or other securities issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest, or (2) in bonds, notes, debentures, or other obligations of the United States of America or its agencies, or (3) in interest-bearing savings accounts, certificates of deposit or time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, or (4) in certain short-term obligations of corporations organized in the United States limited to the terms set forth in Chapter 30, Act 235, Section 2 of the Illinois Compiled Statutes, or (5) in money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in Chapter 30, Act 235, Section 2 of the Illinois compiled Statutes. Investments may be made only in banks insured by the Federal Deposit Insurance corporation (FDIC), savings and loan associations insured by the Federal Savings and Loan Insurance corporation, or credit unions chartered under the laws of this state or the laws of the United States, provided the principal office of such credit union is located within the State of Illinois and the accounts re insured. The City follows the same investment policy for the pension trust funds. Investment balances, consisting of U.S. Treasury Notes and Bills, are stated at fair value. Assets of the different funds are commingled for investment purposes, where permitted, and investment earnings are prorated back to various funds when recognized as revenues.

F. – Transaction Between funds

Transactions that would be treated as revenue, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenue, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

G. – Funds Servicing Long-Term Debt

The enterprise fund accounts for and services the applicable bonds and notes payable which benefits that fund.

H. – Cash Flows

For purposes of the Statement of Cash Flows, the City considers all time deposits with a maturity of less than three months as cash and cash equivalents.

NOTE 2 – FUND EQUITY RESERVES

The City records reserves to indicate that a portion of fund equity is legally segregated for a specific future use. The City has established the following reserves:

Retained Earnings:

Enterprise Fund:

Reserved for Contingency and Depreciation – Resources restricted
for extraordinary repairs and replacements to the sewer system

Fund Balance:

General Corporate Fund:

Reserved for Public Service Programs – Resources restricted for the
operation of Special Fire Department, Police Task Force, D.A.R.E.,
Drug Forfeiture, DUI, and ERT

Reserved for other programs

General Corporate Fund Reservations

Special Revenue Funds:

Reserved for Revolving Loan, Emergency Services, Forestry,
Motor Fuel Tax, IMRF, Public Benefits, Capital Projects,
Crossing Guards, Audits

Liability Insurance Fund:

Reserved for insurance payments

Debt Service Fund:

Reserved for repayment of long-term debt principal and interest

Total Fund Balance

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 3 – CHANGES IN CAPITAL ASSETS

<u>General Capital Assets</u>	<u>May 1, 2010</u>	<u>Additions</u>	<u>Dispositions</u>	<u>April 30, 2011</u>
Building and improvements	\$ 8,133,775	\$ -	\$ -	\$ 8,133,775
Vehicles	3,613,282	46,899	-	3,660,181
Equipment	769,258	24,455	-	793,713
Streets	<u>2,638,455</u>	<u>1,221,768</u>	<u>-</u>	<u>3,860,223</u>
Cost	15,154,770	1,293,122	-	16,447,892
Less Accumulated Depreciation	(<u>7,807,601</u>)	(<u>497,648</u>)	<u>-</u>	(<u>8,305,249</u>)
Total	\$ <u>7,347,169</u>	\$ <u>795,474</u>	\$ <u>-</u>	\$ <u>8,142,643</u>

Depreciation expense for the current year is \$497,648.

<u>Proprietary Capital Assets</u>	<u>May 1, 2010</u>	<u>Additions</u>	<u>Dispositions</u>	<u>April 30, 2011</u>
Utility system	\$ 1,113,479	\$ 592,734	\$ -	\$ 1,706,213
Building and improvements	7,084,474	111,581	-	7,196,055
Equipment	4,972,035	52,044	-	5,024,079
Vehicles	<u>660,407</u>	<u>-</u>	<u>-</u>	<u>660,407</u>
Cost	13,830,395	756,359	-	14,586,754
Less Accumulated Depreciation	(<u>6,099,078</u>)	(<u>465,119</u>)	<u>-</u>	(<u>6,564,197</u>)
Total	\$ <u>7,731,317</u>	\$ <u>291,240</u>	\$ <u>-</u>	\$ <u>8,022,557</u>

Depreciation expense for the current year is \$465,119.

NOTE 4 – LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the City for the year ended April 30, 2011:

	<u>May 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>April 30, 2011</u>
Governmental Funds:				
General Obligation Bonds	\$ 170,000	\$ 500,000	(\$170,000)	\$ 500,000
Alternative Revenue Bonds	230,000	-	(55,000)	175,000
Debt Certificates	142,000	-	(25,500)	116,500
Note Payable	<u>156,000</u>	<u>-</u>	(<u>36,875</u>)	<u>119,125</u>
	\$ <u>698,000</u>	\$ <u>500,000</u>	(\$ <u>287,375</u>)	\$ <u>910,625</u>
Enterprise Funds:				
Notes payable	\$ <u>7,448,545</u>	\$ <u>-</u>	(\$ <u>453,857</u>)	\$ <u>6,994,688</u>

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 4 – LONG-TERM DEBT, (CONTINUED)

Bonds payable at April 30, 2011 is comprised of the following:

Alternative Revenue Bonds – The City issued on February 1, 2004 alternative revenue bonds in the amount of \$510,000. A payment of \$50,000 was made on these bonds during the fiscal year. The repayment schedule is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
06/01/2011			\$ 4,293	
12/01/2011	\$ 55,000	4.70%	\$ 4,292	\$ 63,585
06/01/2012			\$ 3,000	
12/01/2012	\$ 60,000	4.90%	\$ 3,000	\$ 66,000
06/01/2013			\$ 1,530	
12/01/2013	\$ <u>60,000</u>	5.10%	\$ <u>1,530</u>	\$ <u>63,060</u>
Totals	\$ <u>175,000</u>		\$ <u>17,645</u>	\$ <u>192,645</u>

General Obligation Bonds – The City issued bonds on December 1, 2010 for \$500,000. The repayment schedule is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
12/01/2011	\$155,000	4.15%	\$ 21,185	\$176,185
06/01/2012			\$ 7,376	
12/01/2012	\$170,000	4.20%	\$ 7,376	\$184,752
06/01/2013			\$ 3,806	
12/01/2013	\$ <u>175,000</u>	4.35%	\$ <u>3,807</u>	\$ <u>182,613</u>
Totals	\$ <u>500,000</u>		\$ <u>43,550</u>	\$ <u>543,550</u>

Note Payable – On June 3, 2009, the City took out a loan for roof repairs from the State Bank of Lincoln for \$156,000. The loan is due June 3, 2013 and bears an interest rate of 3.75%. The repayment schedule is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
06/03/2011	\$ 38,259	3.75%	\$ 4,467	\$ 42,726
06/03/2012	39,694	3.75%	3,032	42,726
06/03/2013	<u>41,172</u>	3.75%	<u>1,555</u>	<u>42,727</u>
Totals	\$ <u>119,125</u>		\$ <u>9,054</u>	\$ <u>128,179</u>

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 4 – LONG-TERM DEBT, (CONTINUED)

Notes payable at April 30, 2011, is comprised of the following:

A note payable to Illinois Environmental Protection Agency as part of the Illinois State Revolving Fund, requiring semi-annual payments for ten years beginning March 1, 2000, bearing interest of 2.5700%, with a final payment due September 1, 2010. The total amount of note proceeds was \$1,100,000. At April 30, 2000, the total amount expended from debt proceeds was \$1,100,000.

A second note payable to Illinois Environmental Protection Agency also from the Illinois State Revolving Fund was received in 2004. The repayment schedule is as follows:

<u>Due Date</u>	<u>Repayment</u>	<u>Interest</u>	<u>Principal</u>
07/31/2011	\$ 321,194	\$ 89,882	\$ 231,312
01/31/2012	321,194	86,910	234,284
07/31/2012	321,194	83,899	237,295
01/31/2013	321,194	80,850	240,344
07/31/2013	321,194	77,762	243,432
01/31/2014	321,194	74,633	246,561
07/31/2014	321,194	71,465	249,729
01/31/2015	321,194	68,256	252,938
07/31/2015	321,194	65,006	256,188
01/31/2016	321,194	61,714	259,480
07/31/2016	321,194	58,380	262,814
01/31/2017	321,194	55,002	266,192
07/31/2017	321,194	51,582	269,612
01/31/2018	321,194	48,117	273,077
07/31/2018	321,194	44,608	276,586
01/31/2019	321,194	41,054	280,140
07/31/2019	321,194	37,454	283,740
01/31/2020	321,194	33,808	287,386
07/31/2020	321,194	30,115	291,079
01/31/2021	321,194	26,375	294,819
07/31/2021	321,194	22,587	298,607
01/31/2022	321,194	18,750	302,444
07/31/2022	321,194	14,863	306,331
01/31/2023	321,194	10,927	310,267
07/31/2023	321,194	6,940	314,254
01/31/2024	<u>228,679</u>	<u>2,902</u>	<u>225,777</u>
	<u>\$8,258,529</u>	<u>\$1,263,841</u>	<u>\$6,994,688</u>

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 4 – LONG-TERM DEBT, (CONTINUED)

Debt Certificates

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
05/01/2011	\$ 13,500	5.23%	\$ 3,215	\$ 16,715
11/01/2011	\$ 13,500	5.23%	\$ 2,862	\$ 16,362
05/01/2012	\$ 14,000	5.42%	\$ 2,509	\$ 16,509
11/01/2012	\$ 14,500	5.42%	\$ 2,129	\$ 16,629
05/01/2013	\$ 14,500	5.60%	\$ 1,737	\$ 16,237
11/01/2013	\$ 15,000	5.60%	\$ 1,330	\$ 16,330
05/01/2014	\$ 15,500	5.78%	\$ 910	\$ 16,410
11/01/2014	\$ <u>16,000</u>	5.78%	\$ <u>462</u>	\$ <u>16,462</u>
	\$ <u>116,500</u>		\$ <u>15,154</u>	\$ <u>131,654</u>

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Plan Description. The City of Lincoln's (City) defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, the City's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes requires employers to contribute the amount necessary, in addition to member contributions, to financial the retirement coverage of its own employees. The City's contribution rate for calendar year 2010 was 20.01 percent of annual covered payroll. The City annual required contribution rate for calendar year 2010 was 25.44 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For fiscal year ending December 31, 2010, the City's actual contributions for pension cost for the Regular were \$143,550. Its required contribution for calendar year 2010 was \$182,504. (If you made an additional payment toward your unfunded amount, add this payment to your actual contributions and recalculate the percentage of APC contributed).

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 5 – DEFINED BENEFIT PENSION PLAN, (CONTINUED)

MULTI-YEAR TREND INFORMATION FOR THE REGULAR PLAN

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/10	182,504	79%	\$0 *
12/31/09	130,653	100%	0
12/31/08	132,526	100%	0

* If you utilized the phase-in contribution rate, the net pension obligation will have to be calculated.

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.50 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open basis.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 53.20 percent funded. The actuarial accrued liability for benefits was \$2,809,256 and the actuarial value of assets was \$1,494,582, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,314,674. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$717,390 and the ratio of the UAAL to the covered payroll was 183 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 6 – DEFINED BENEFIT PENSION PLAN – SHERIFF'S LAW ENFORCEMENT PERSONNEL

Plan Description. The City's defined benefit pension plan for Sheriff's Law Enforcement Personnel employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at on-line at www.imrf.org.

Funding Policy. As set by statute, the City's Sheriff's Law Enforcement Personnel plan members are required to contribute 7.50 percent of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

**NOTE 6 – DEFINED BENEFIT PENSION PLAN – SHERIFF'S LAW ENFORCEMENT PERSONNEL
(CONTINUED)**

contribution rate for calendar year 2010 used by the employer was 0.00 percent of annual covered payroll. The City annual required contribution rate for calendar year 2010 was 12.91 percent. The City also contributes disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For calendar year ending December 31, 2010, the City's actual contributions for pension cost for the Sheriff's Law Enforcement Personnel plan were \$0. Its required contribution for calendar year 2010 was \$0. (If you made an additional payment toward your unfunded amount, add this payment to your actual contributions and recalculate the percentage of APC contributed).

Three-Year Trend Information for the Sheriff's Law Enforcement Personnel Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/10	0	***%	\$0 *
12/31/09	0	100%	0
12/31/08	0	100%	0

* If you utilized the phase-in contribution rate, the net pension obligation will have to be calculated.

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of your City Sheriff's Law Enforcement Personnel plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City Sheriff's Law Enforcement Personnel plan's overfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the Sheriff's Law Enforcement Personnel plan was 109.83 percent funded. The actuarial accrued liability for benefits was \$52,620 and the actuarial value of assets was \$57,793, resulting in an underfunded actuarial accrued liability (UAAL) of \$5,173. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$0. Because the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

The schedule of funding progress, presented as Required Supplemental Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 7 – POLICE PENSION FUND

The Police Pension fund is a single employer defined benefit pension plan to provide retirement, death and disability benefits to policemen and their dependents.

The Police Pension fund covers all "policemen" who:

- (a) Are appointed to the police force and sworn and commissioned to perform police duties;
- (b) are found upon examination of a duly licensed physician selected by the Police Pension board to be physically and mentally fit to perform duties of a policeman; and
- (c) Within 3 months after receiving his/her first appointment, and if reappointed, within 3 months thereafter, makes written application to the Board to qualify under Chapter 108 ½, Article 3, of the Illinois Revised Statutes.

The Pension is funded by the City's (employer) contribution which is obtained through an annual levy of tax upon all the property of the City and deductions from salaries and wages of participating policemen (employee contribution). The Illinois Division of Insurance has annually provided the actuarial report and/or proposed levy requests for the City.

Total pension contributions for the year ended April 30, 2011 were \$576,936 including City contributions of \$445,647. The City had accumulated assets of \$9,384,611 on that same date.

NOTE 8 – FIREFIGHTERS' PENSION FUND

The Firefighters' Pension Fund is a single employer defined benefit pension plan to provide retirement, death and disability benefits to firemen and their dependents.

The Firefighters' Pension Fund covers all "firemen" who:

- (a) were appointed as a fireman prior to May 16, 1970; or;
- (b)
 - (1) have attained the age of 18 but not reached age 35 at the time of appointment; and
 - (2) with 3 months after receiving appointment and with 3 months after any reappointment, made written application to the firemen's Pension Board to qualify under Chapter 108 ½, Article 3, of the Illinois Revised Statutes.
- (3) were found upon medical examination to be then physically and mentally fit to perform the duties of a fireman.

The Pension is funded by the City's (Employer) contribution which is obtained through an annual levy of tax upon all the property of the City and deductions from salaries and wages of participating firemen (employee contribution). The Illinois Division of Insurance has annually provided the actuarial report and/or proposed levy requests for the City.

Total pension contributions for the year ended April 30, 2011 were \$483,904 including City contributions of \$394,149. The City had accumulated assets of \$6,394,773 on that same date.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 9 – POST-RETIREMENT BENEFITS

The City provides certain post-retirement benefits to retired full-time employees meeting the following requirements. The City pays 50% of the employee-only portion of health insurance for newly retired fulltime employees who have reached age 55 and have 20 years of service with the City. Any member having 20 years of service who has not reached age 55 upon retirement shall pay the health insurance premium until attaining age 55, at which time the City will pay 50% of the premium. These benefits are provided to employees for life and are based on benefit costs incurred during the fiscal year, or on the pay-as-you-go method.

NOTE 10 – DEFERRED COMPENSATION PAYABLE

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Nationwide Retirement Solution, Inc. and VALIC. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and other beneficiaries. As a result, the deferred compensation investments are not reported in the City's financial statements as an agency fund.

NOTE 11 – INSURANCE AND RISK MANAGEMENT

The City is self-insured for unemployment compensation. The City reimburses the State for unemployment compensation claims paid to former employees.

The City is also exposed to various risks including but not limited to losses from workers' compensation, general liability and property damage. Such risks are managed through the purchase of insurance contracts.

Payments are made from the Liability Insurance fund to provide the payment of workers' compensation insurance, liability insurance and auto insurance.

Net insurance-related costs incurred for the year ended April 30, 2011 were \$334,693.

NOTE 12 – PROPERTY TAXES

Property taxes attach as an enforceable lien on real property as of January 1 in the year in which the taxes are levied. The County bills and collects taxes for County taxing bodies. The taxes are generally payable in two installments on June 1 and September 1. Property taxes are received monthly beginning in July and generally ending in November.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 13 – CASH AND INVESTMENTS

The City is authorized to invest in securities as authorized in the state statutes.

At April 30, 2011, the balance of the City's deposits was \$3,161,284. These amounts do not include the Pension Trust funds. There were no uncollateralized deposits.

NOTE 14 – INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the combined financial statements, of certain information concerning individual funds.

For the year ended April 30, 2011 excesses of expenditures over budget in individual funds were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Debt Service	\$279,905	\$289,339	\$ 9,434

NOTE 15 – DEFICIT FUND BALANCES

The following fund had a deficit fund balance at April 30, 2011:

	<u>Deficit</u>
Liability Insurance Fund	(\$ 39,772)

NOTE 16 – COMMITMENTS AND CONTINGENCIES

As of April 30, 2011, the City has matters of pending litigation which are being handled by the City's liability insurance carrier through legal counsel designated by them. In addition, there are also pending workman's compensation claims against the City, all of which are being handled by the City's workman's compensation insurance carrier or legal counsel designated by them.

Pursuant to the four collective bargaining agreements the City has with various bargaining units, the City does have an ongoing responsibility to provide individual health insurance coverage to retired members. The liability of these post-retirement benefits has not been determined at this time.

City of Lincoln, Illinois
SCHEDULE OF FUNDING PROGRESS
 Required Supplemental Information
 Employer Number: 03364R
 Regular Plan

Schedule 1

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (ALL) —Entry Age (b)</u>	<u>ALL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/10	1,494,582	2,809,256	1,314,674	53.20%	717,390	183.26%
12/31/09	1,691,473	2,716,156	1,024,683	62.27%	696,076	147.21%
12/31/08	1,826,851	3,218,414	1,391,563	56.76%	665,959	208.96%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$1,756,903. On a market basis, the funded ratio would be 62.54%.

City of Lincoln, Illinois
SCHEDULE OF FUNDING PROGRESS –
 Required Supplemental Information
 Employer Number: 03364R
 Sheriff's Law Enforcement Personnel

Schedule 2

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (ALL) ---Entry Age (b)</u>	<u>ALL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/10	57,793	52,620	(5,173)	109.83	0	0.00%
12/31/09	55,080	46,857	(8,223)	117.55	0	N/A
12/31/08	54,753	41,847	(12,906)	130.84	0	N/A

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$60,177. On a market basis, the funded ratio would be 114.36%.

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Years Ended April 30, 2011 and 2010

Schedule 3

	Original/Final Budgeted Amounts	Current Year Actual	Prior Year Actual
Beginning Budgetary Fund Balances	\$2,997,493	\$2,997,493	\$3,180,386
RESOURCES (INFLOWS):			
Taxes:			
Property taxes.....	194,100	193,754	192,746
Income and use taxes	1,183,000	1,189,362	1,162,719
Sales taxes.....	3,208,000	3,244,688	2,897,320
Telecommunications tax	465,000	419,655	453,581
Replacement taxes	147,525	173,760	120,841
Road and bridge taxes.....	74,000	72,704	74,281
Fire tax	-	16,078	16,819
Total taxes	5,271,625	5,310,001	4,918,307
Intergovernmental:			
IDOT reimbursement.....	-	-	403,289
Charges For Services:			
Franchise fees.....	170,000	171,900	164,316
Fire protection reimbursement.....	5,000	5,107	3,441
Administrative fees	10,000	10,000	30,000
Birth and death certificates	5,000	4,678	5,100
Licenses and Permits.....	85,000	86,235	93,643
Total charges for services.....	275,000	277,920	296,500
Fines and Forfeitures:			
Traffic fines.....	85,000	85,286	69,314
Other fines.....	25,000	24,313	18,603
Total fines and forfeitures	110,000	109,599	87,917
Miscellaneous:			
Miscellaneous.....	28,075	2,209	6,312
Donations	-	24,680	13,405
Restitution	-	33,150	-
Total Miscellaneous	28,075	60,039	19,717
Interest Income.....	5,000	4,423	5,757

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Years Ended April 30, 2011 and 2010

Schedule 3

	Original/Final Budgeted Amounts	Current Year Actual	Prior Year Actual
Other Financing Sources:			
Loan Proceeds	\$ -	\$ -	\$ 156,000
Grant Proceeds	-	39,506	-
Total Other Financing Sources	-	39,506	156,000
Total Resources (Inflows)	5,689,700	5,801,488	5,887,487
AMOUNTS AVAILABLE FOR APPROPRIATIONS	8,687,193	8,798,981	9,067,873
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
PUBLIC SAFETY:			
Fire Department:			
Personnel services	1,315,270	1,299,860	1,373,949
Supplies	29,600	39,054	74,804
Repairs and maintenance	31,500	37,316	26,138
Contractual services	1,700	272	1,154
Other services and charges	35,650	36,993	39,112
Capital outlay	-	46,899	29,444
Total Fire Department	1,413,720	1,460,394	1,544,601
Police Department:			
Personnel services	1,702,400	1,655,314	1,634,535
Supplies	65,000	99,348	109,825
Repairs and maintenance	23,500	42,852	27,751
Contractual services	26,000	13,447	17,477
Other services and charges	28,150	57,251	26,763
Capital outlay	-	-	20,000
Total Police Department	1,845,050	1,868,212	1,836,351
TOTAL PUBLIC SAFETY	3,258,770	3,328,606	3,380,952
PUBLIC WORKS:			
Zoning:			
Personnel services	73,580	73,320	69,223
Supplies	2,700	3,667	1,899
Repairs and maintenance	500	402	820
Contractual services	3,500	-	-
Other services and charges	6,020	7,808	8,149
Capital outlay	350	-	-
Total Zoning	86,650	85,197	80,091

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Years Ended April 30, 2011 and 2010

Schedule 3

	Original/Final Budgeted Amounts	Current Year Actual	Prior Year Actual
CHARGES TO APPROPRIATIONS (OUTFLOWS) (Continued):			
PUBLIC WORKS (Continued):			
Street Lighting:			
Utilities/repairs and maintenance	\$ 70,000	52,063	113,655
Public Grounds and Buildings:			
Supplies	1,000	322	939
Repairs and maintenance	20,500	10	33,521
Contractual services	51,000	45,679	54,822
Utilities	15,200	12,387	13,313
Other services and charges	5,500	5,083	5,406
Capital outlay	-	-	148,307
Total Public Grounds and Buildings	93,200	63,481	256,308
Sidewalks:			
Repairs and maintenance	3,000	-	494
Other services and charges	1,000	560	-
Capital outlay	-	-	-
Total Sidewalks	4,000	560	494
Streets and Alleys:			
Personnel services	395,200	371,783	328,668
Supplies	52,000	43,129	87,965
Repairs and maintenance	32,000	26,229	47,924
Contractual services	30,500	15,400	17,322
Other services and charges	2,700	11,664	19,150
Capital outlay – Road Rehab	1,634,000	1,204,288	479,672
Total Streets and Alleys	2,146,400	1,672,493	980,701
TOTAL PUBLIC WORKS	2,400,250	1,873,794	1,873,794
GENERAL GOVERNMENT:			
City Clerk's Office:			
Personnel services	160,010	136,864	149,851
Supplies	4,500	7,032	5,245
Repairs and maintenance	4,300	4,239	4,693
Contractual services	11,300	9,078	5,640
Other services and charges	12,900	16,701	16,706
Capital outlay	-	-	18,756
Total City Clerk's Office	193,010	173,914	200,891

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Years Ended April 30, 2011 and 2010

Schedule 3

	Original/Final Budgeted Amounts	Current Year Actual	Prior Year Actual
CHARGES TO APPROPRIATIONS (OUTFLOWS) (Continued):			
GENERAL GOVERNMENT(Continued):			
Merit Commission:			
Personnel services	\$ 1,200	\$ 881	\$ 1,268
Other services and charges.....	<u>7,000</u>	<u>6,535</u>	<u>10,188</u>
Total Merit Commission	<u>8,200</u>	<u>7,416</u>	<u>11,456</u>
Professional Services:			
Personnel services	<u>1,200</u>	<u>731</u>	<u>1,327</u>
Mayor's Office:			
Personnel services	21,200	21,457	20,195
Supplies	1,000	282	884
Repairs and maintenance	250	-	285
Other services and charges.....	<u>8,100</u>	<u>6,354</u>	<u>7,614</u>
Total Mayor's Office	<u>30,550</u>	<u>28,093</u>	<u>28,978</u>
Legal:			
Contractual services	<u>81,000</u>	<u>81,000</u>	<u>81,000</u>
Contingent:			
Personnel services	136,600	127,932	99,653
Contractual services	176,000	172,654	166,460
Special project expenditures	5,000	5,000	20,074
Sales tax rebates	-	-	74,773
Other services and charges.....	<u>52,200</u>	<u>60,807</u>	<u>48,129</u>
Total Contingent.....	<u>369,800</u>	<u>366,393</u>	<u>409,089</u>
Engineering:			
Contractual services	74,800	74,778	169,556
Other services and charges.....	<u>200</u>	<u>130</u>	<u>130</u>
Total Engineering.....	<u>75,000</u>	<u>74,908</u>	<u>169,686</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Years Ended April 30, 2011 and 2010

Schedule 3

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS) (Continued):			
GENERAL GOVERNMENT (Continued):			
City Planning Commission:			
Other services and charges.....	\$ 20,000	\$ 35,000	\$ 32,500
Lincoln Industrial Commission:			
Other services and charges.....	35,000	20,000	40,500
TOTAL GENERAL GOVERNMENT	813,760	787,455	975,427
Debt Service:			
Principal.....	-	36,875	-
Interest.....	-	5,851	-
Total Debt Service.....	-	42,726	-
OTHER FINANCING USES			
Transfer to Crossing Guard Fund	-	11,000	16,000
Transfer to Bond and Interest	-	35,984	63,359
Transfer to Debt Certificate	-	33,152	33,370
Transfer to Forestry Fund	-	10,100	25,000
Transfer to Public Benefits Fund	-	10,000	35,000
Transfer to Capital Projects.....	-	-	45,023
Transfer to Liability Insurance.....	-	202,266	65,000
TOTAL OTHER FINANCING USES	6,472,780	302,502	282,752
TOTAL CHARGES TO APPROPRIATIONS.....	\$2,214,413	6,335,083	6,070,380
ENDING BUDGETARY FUND BALANCE		\$2,463,898	\$2,997,493

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
MAJOR GOVERNMENTAL FUND
MOTOR FUEL TAX FUND
For the Years Ended April 30, 2011 and 2010

Schedule 4

	Original/Final Budgeted Amounts	Current Year Actual	Prior Year Actual
Beginning Budgetary Fund Balances	\$ <u> -</u>	\$ <u>933,808</u>	\$ <u>1,036,989</u>
RESOURCES (INFLOWS):			
Intergovernmental:			
Motor fuel taxes	393,500	455,551	387,867
Interest Income.....	1,000	2,011	2,087
Other Financing Sources:			
State Grant – IDOT Enhancement.....	<u> -</u>	<u>8,152</u>	<u>127,652</u>
Total Resources (Inflows).....	<u>394,500</u>	<u>465,714</u>	<u>517,606</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	\$ <u>394,500</u>	<u>1,399,522</u>	<u>1,554,595</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
Public Works:			
Personnel services	178,500	124,070	139,720
Repairs and maintenance	92,500	113,605	116,875
Supplies.....	222,500	212,114	203,928
Traffic signals.....	43,000	18,663	17,943
Street lights.....	60,000	31,082	-
Nichelson street.....	15,500	-	-
Broadway – Hamilton	-	-	18
Fifth Street road project	33,300	8,070	-
Signal modernization	3,800	-	-
McLean St. - crossing	5,000	-	-
Logan St. - crossing	17,600	-	-
IDOT Enhancement	57,500	-	-
Capital outlay	<u> -</u>	<u> -</u>	<u>142,303</u>
TOTAL CHARGES TO APPROPRIATIONS.....	\$ <u>729,200</u>	<u>507,604</u>	<u>620,787</u>
ENDING BUDGETARY FUND BALANCE.....		\$ <u>891,918</u>	\$ <u>933,808</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
MAJOR GOVERNMENTAL FUND
LIABILITY INSURANCE FUND
For the Years Ended April 30, 2011 and 2010

Schedule 5

	Original/Final Budgeted Amounts	Current Year Actual	Prior Year Actual
Beginning Budgetary Fund Balances	\$ <u> - </u>	(\$ <u>34,016</u>)	\$ <u>26,928</u>
RESOURCES (INFLOWS):			
Taxes:			
Property taxes.....	126,734	126,566	125,895
Interest Income.....	-	105	77
Other Financing Sources:			
Transfer from General Fund	<u> - </u>	<u>202,266</u>	<u>65,000</u>
Total Resources (Inflows).....	<u>126,734</u>	<u>328,937</u>	<u>190,972</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	<u>\$126,734</u>	<u>294,921</u>	<u>217,900</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
General Government:			
Insurance expense	<u>329,000</u>	<u>334,693</u>	<u>251,916</u>
TOTAL CHARGES TO APPROPRIATIONS.....	<u>\$329,000</u>	<u>334,693</u>	<u>251,916</u>
ENDING BUDGETARY FUND BALANCE		(\$ <u>39,772</u>)	(\$ <u>34,016</u>)

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULES
MAJOR GOVERNMENTAL FUND
DEBT SERVICE FUND
For the Years Ended April 30, 2011 and 2010

Schedule 6

	Original/Final Budgeted <u>Amounts</u>	Current Year <u>Actual</u>	Prior Year <u>Actual</u>
Beginning Budgetary Fund Balances		\$ <u>50,093</u>	\$ <u>54,387</u>
RESOURCES (INFLOWS):			
Taxes:			
Property taxes.....		176,398	174,970
Interest Income.....		257	212
Other Financing Sources:			
Transfer from General Fund		69,136	96,729
Bond proceeds.....		<u>500,000</u>	<u>-</u>
Total Resources (Inflows).....		<u>745,791</u>	<u>271,911</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS		<u>795,884</u>	<u>326,298</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):			
Fees		9,602	-
Debt Service:			
Principal	\$251,000	250,500	234,500
Interest.....	<u>28,905</u>	<u>29,237</u>	<u>41,705</u>
TOTAL CHARGES TO APPROPRIATIONS.....	<u>\$279,905</u>	<u>289,339</u>	<u>276,205</u>
ENDING BUDGETARY FUND BALANCE.....		<u>\$506,545</u>	<u>\$ 50,093</u>

City of Lincoln, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
For the Fiscal Year Ended April 30, 2011

Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April of each year, the Finance Committee of the City Council submits to the City Council a proposed operating budget for the fiscal year commencing that May 1.
2. A copy of the proposed budget is placed on file with the City Clerk and a date for public hearings is announced.
3. The budget is passed by City Council.
4. The appropriation is legally enacted through the passage of an ordinance.
5. After adoption of the appropriation, further appropriations are prohibited. Transfers from one appropriation of any fund to another appropriation of the same fund, not affecting the total amount appropriated, may be made subject to City Council approval.
6. Formal budgetary integration is employed as management control device during the year for the General Fund, the Special Revenue Funds, and the Debt Service Fund.

City of Lincoln, Illinois
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 April 30, 2011

	Emergency Services	Forestry	Capital Projects	Municipal Retirement	Public Benefits	Crossing Guards	Audit	Revolving Loan	Equipment Rentals	Total 2011
ASSETS										
Cash and cash equivalents.....	\$ 10,940	\$ 6,362	\$ 109	\$ 55,955	\$ 20,722	\$ 2,237	\$ -	\$ 218,777	\$ 68,085	\$ 383,187
Taxes receivable.....	4,000	48,000	-	227,000	47,000	15,000	17,500	-	-	358,500
Due from other funds.....	62	-	-	-	-	-	-	39,772	-	39,834
TOTAL ASSETS	\$ 15,002	\$ 54,362	\$ 109	\$ 282,955	\$ 67,722	\$ 17,237	\$ 17,500	\$ 258,549	\$ 68,085	\$ 781,521
Liabilities And Fund Balances										
LIABILITIES										
Deferred revenue.....	\$ 4,000	\$ 48,000	\$ -	\$ 227,000	\$ 47,000	\$ 15,000	\$ 17,500	\$ -	\$ -	\$ 358,500
Due to other funds.....	-	-	-	-	-	-	62	-	-	62
Total Liabilities.....	4,000	48,000	-	227,000	47,000	15,000	17,562	-	-	358,562
FUND BALANCES										
Reserved.....	11,002	6,362	109	55,955	20,722	2,237	(62)	258,549	68,085	422,959
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 15,002	\$ 54,362	\$ 109	\$ 282,955	\$ 67,722	\$ 17,237	\$ 17,500	\$ 258,549	\$ 68,085	\$ 781,521

City of Lincoln, Illinois
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended April 30, 2011

	Emergency Services	Forestry	Capital Projects	Municipal Retirement	Public Benefits	Crossing Guards	Audit	Revolving Loan	Equipment Rentals	Total 2011
REVENUES:										
Taxes:										
Property taxes.....	\$ 4,002	\$ 47,934	\$ -	\$226,709	\$ 47,056	\$ 14,981	\$ 17,413	\$ -	\$ -	\$338,095
Intergovernmental:										
Replacement taxes.....	-	-	-	32,256	-	-	-	-	-	32,256
Charges for services.....	-	-	-	-	-	-	-	-	168,142	168,142
Interest.....	3	40	-	188	39	12	14	588	2,152	3,036
TOTAL REVENUES.....	4,005	47,974	-	259,153	47,095	14,993	17,427	588	170,294	561,529
EXPENDITURES:										
General government.....	-	-	-	238,611	-	-	18,000	-	120,976	377,587
Public safety.....	1,749	-	-	-	-	29,203	-	-	-	30,952
Public works/streets.....	-	52,270	247	-	58,347	-	-	-	-	110,864
Capital outlay.....	-	-	-	-	-	-	-	-	24,455	24,455
TOTAL EXPENDITURES.....	1,749	52,270	247	238,611	58,347	29,203	18,000	-	145,431	543,858
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	2,256	(4,296)	(247)	20,542	(11,252)	(14,210)	(573)	588	24,863	17,671
OTHER FINANCING SOURCES (USES)										
Transfers in.....	-	10,100	-	-	10,000	11,000	-	-	-	31,100
NET CHANGE IN FUND BALANCES	2,256	5,804	(247)	20,542	(1,252)	(3,210)	(573)	588	24,863	48,771
FUND BALANCES - BEGINNING.....	8,746	558	356	35,413	21,974	5,447	511	257,961	43,222	374,188
FUND BALANCES - ENDING.....	\$ 11,002	\$ 6,362	\$ 109	\$ 55,955	\$ 20,722	\$ 2,237	(\$ 62)	\$258,549	\$ 68,085	\$422,959

City of Lincoln, Illinois
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
April 30, 2011

Schedule 9

	Sewer Operations & Maintenance	Westside Sewer Project Loan	EPA Loan	Contingency and Depreciation	Total 2011
<u>Assets</u>					
CURRENT ASSETS					
Cash and cash equivalents	\$ 12,495	\$ -	\$ -	\$273,398	\$ 285,893
Accounts receivable	515,422	-	-	-	515,422
Due from other funds	-	-	-	721,194	721,194
Total Current Assets	<u>527,917</u>	<u>-</u>	<u>-</u>	<u>994,592</u>	<u>1,522,509</u>
CAPITAL ASSETS					
Sewerage system	14,586,754	-	-	-	14,586,754
Less: Accumulated depreciation	(6,564,197)	-	-	-	(6,564,197)
Net Capital Assets	<u>8,022,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,022,557</u>
TOTAL ASSETS	<u>\$ 8,550,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$994,592</u>	<u>\$ 9,545,066</u>
<u>Liabilities and Net Assets</u>					
LIABILITIES					
Accounts payable	\$ 41,974	\$ -	\$ -	\$ -	\$ 41,974
Notes and bonds payable	-	-	6,994,688	-	6,994,688
Due to other funds	721,194	-	-	-	721,194
Total Liabilities	<u>763,168</u>	<u>-</u>	<u>6,994,688</u>	<u>-</u>	<u>7,757,856</u>
FUND EQUITY					
Retained Earnings:					
Reserved	-	-	-	994,592	994,592
Unreserved	7,787,306	-	(6,994,688)	-	792,618
Total Retained Earnings	<u>7,787,306</u>	<u>-</u>	<u>(6,994,688)</u>	<u>994,592</u>	<u>1,787,210</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 8,550,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$994,592</u>	<u>\$ 9,545,066</u>

City of Lincoln, Illinois
**COMBINING STATEMENT OF REVENUES,
 EXPENSES AND CHANGES IN RETAINED EARNINGS**
ENTERPRISE FUND
 For the Year Ended April 30, 2011

Schedule 10

	Sewer Operations & Maintenance	Westside Sewer Project Loan	EPA Loan	Contingency and Depreciation	Total 2011
OPERATING REVENUES					
Charges for services	\$2,674,567	\$ -	\$ -	\$ -	\$2,674,567
Other income	<u>258,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,508</u>
Total Operating Revenues.....	<u>2,933,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,933,075</u>
OPERATING EXPENSES					
Personnel service.....	74,190	-	-	-	74,190
Contractual maintenance services	1,335,608	-	-	-	1,335,608
Supplies and materials	33,049	-	-	-	33,049
Other fees and charges	23,429	-	-	-	23,429
Depreciation	465,119	-	-	-	465,119
Repairs and maintenance	46,542	-	-	-	46,542
Office supplies	4,000	-	-	-	4,000
Professional fees.....	1,862	-	-	-	1,862
Postage	8,615	-	-	-	8,615
Telephone.....	911	-	-	-	911
Insurance	26,072	-	-	-	26,072
Facility utilities.....	<u>328,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>328,897</u>
Total Operating Expenses	<u>2,348,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,348,294</u>
NET OPERATING INCOME..	<u>584,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>584,781</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	614	-	-	-	614
Interest (expense)	-	-	(188,530)	-	(188,530)
Operating transfers in.....	142,000	-	642,387	-	784,387
Operating transfers (out)	(<u>642,387</u>)	<u>-</u>	<u>-</u>	(<u>142,000</u>)	(<u>784,387</u>)
Total Nonoperating Revenues (Expenses).....	(<u>499,773</u>)	<u>-</u>	<u>453,857</u>	(<u>142,000</u>)	(<u>187,916</u>)
NET INCOME (LOSS)	85,008	-	453,857	(142,000)	396,865
RETAINED EARNINGS -- BEGINNING	<u>7,702,298</u>	<u>-</u>	(<u>7,448,545</u>)	<u>1,136,592</u>	<u>1,390,345</u>
RETAINED EARNINGS -- ENDING.....	<u>\$7,787,306</u>	<u>\$ -</u>	<u>(\$6,994,688)</u>	<u>\$ 994,592</u>	<u>\$1,787,210</u>

City of Lincoln, Illinois
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Year Ended April 30, 2011

Schedule 11

	Sewer Operations & Maintenance	Westside Sewer Project Loan	EPA Loan	Contingency and Depreciation	Total 2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Collections from customers	\$2,690,984	\$ -	\$ -	\$ -	\$2,690,984
Other income	258,508	-	-	-	258,508
Payments for personnel services.....	(74,190)	-	-	-	(74,190)
Payments for goods and services.....	(1,799,189)	-	-	-	(1,799,189)
Net cash provided by operating activities	<u>1,076,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,076,113</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Operating transfers in.....	142,000	-	642,387	-	784,387
Operating transfers (out).....	(642,387)	-	-	(142,000)	(784,387)
Net cash provided by (used for) noncapital and related financing activities	(500,387)	-	642,387	(142,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(756,359)	-	-	-	(756,359)
Principal payments on notes	-	-	(453,857)	-	(453,857)
Interest paid on notes	-	-	(188,530)	-	(188,530)
Net cash (used for) capital and related financing activities ..	(756,359)	-	(642,387)	-	(1,398,746)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income.....	<u>614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>614</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(180,019)	-	-	(142,000)	(322,019)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>192,514</u>	<u>-</u>	<u>-</u>	<u>415,398</u>	<u>607,912</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 12,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$273,398</u>	<u>\$ 285,893</u>
Reconciliation of operating income to net cash provided by operating activities:					
Net operating income	\$ 584,781				
Adjustment to reconcile operating income to cash provided by operating activities:					
Depreciation.....	465,119				
Changes in net assets and liabilities:					
Decrease in accounts receivables	16,417				
Increase (decrease) in accounts payables	<u>9,796</u>				
Net Cash Provided By Operating Activities	<u>\$1,076,113</u>				

City of Lincoln, Illinois
**SCHEDULE OF ASSESSED VALUATIONS, TAX RATES,
EXTENSIONS AND COLLECTIONS**
For The Year Ended April 30, 2011

Schedule 12

	2010 <u>Levy</u>	2009 <u>Levy</u>	2008 <u>Levy</u>
ASSESSED VALUATION.....	<u>\$148,769,345</u>	<u>\$149,643,087</u>	<u>\$140,553,159</u>
TAX RATES			
General .....	.00736	.00732	.00712
Police protection.....	.04343	.04315	.04198
Fire Protection.....	.09200	.09141	.08894
Forestry.....	.03533	.03510	.03416
Firemen's pension.....	.27966	.25594	.24902
Firemen's spouse pension.....	.00057	.00056	.00161
Policemen's pension .....	.31425	.29031	.28246
I.M.R.F. ....	.10083	.10019	.09748
Emergency service .....	.00295	.00293	.00285
Public benefit .....	.03459	.03437	.03344
Liability insurance.....	.09327	.09268	.09017
Audit.....	.01283	.01275	.01139
Bonds.....	.13509	.12917	.12407
School crossing guard .....	.01104	.01097	.01068
Social Security	<u>.06624</u>	<u>.06582</u>	<u>.06404</u>
 Total	 <u>1.22944</u>	 <u>1.17267</u>	 <u>1.13941</u>

City of Lincoln, Illinois
**SCHEDULE OF ASSESSED VALUATIONS, TAX RATES,
EXTENSIONS AND COLLECTIONS**
For The Year Ended April 30, 2011

Schedule 12

	<u>2010</u> <u>Extended</u>	<u>2009</u> <u>Extended</u>	<u>2008</u> <u>Extended</u>
TAX EXTENSIONS			
General	\$ 10,000	\$ 10,954	\$ 10,007
Police protection.....	59,013	64,571	59,004
Fire Protection.....	125,011	136,789	125,008
Forestry.....	48,007	52,525	48,013
Firemen's pension.....	380,005	382,997	350,005
Firemen's spouse pension.....	775	838	2,263
Policemen's pension.....	427,008	434,429	397,006
I.M.R.F.	137,009	149,927	137,011
Emergency service	4,008	4,385	4,006
Public benefit	47,001	51,432	47,001
Liability insurance.....	126,736	138,689	126,737
Audit.....	17,434	19,079	16,009
Bonds.....	183,562	193,294	174,384
School crossing guard	15,001	16,416	15,011
Social Security	<u>90,008</u>	<u>98,495</u>	<u>90,010</u>
Total Extended	<u>\$1,670,578</u>	<u>\$1,754,820</u>	<u>\$1,601,475</u>
Total Collected		<u>\$1,694,609</u>	<u>\$1,555,727</u>
Percentage Collected		<u>97%</u>	<u>97%</u>
Road and Bridge Collection.....		<u>\$ 75,526</u>	<u>\$ 74,281</u>

City of Lincoln, Illinois
SCHEDULE OF LEGAL DEBT MARGIN
For The Year Ended April 30, 2011

Schedule 13

ASSESSED VALUATION AS OF DECEMBER 31, 2010	<u>\$148,769,345</u>
DEBT LIMITATION, 8.625% OF ASSESSED VALUATION	\$ 12,831,356
Less: Bonded Indebtedness.....	(<u>175,000</u>)
LEGAL DEBT MARGIN, APRIL 30, 2011	<u>\$ 12,656,356</u>